

VZCZCXRO6087
OO RUEHCHI RUEHCN RUEHDT RUEHHM
DE RUEHHI #0740/01 2180928
ZNR UUUUU ZZH
O 060928Z AUG 09
FM AMEMBASSY HANOI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0001
INFO RUEHHM/AMCONSUL HO CHI MINH 6057
RUEHXS/ASEAN REGIONAL FORUM COLLECTIVE

UNCLAS SECTION 01 OF 05 HANOI 000740

SENSITIVE
SIPDIS

DEPARTMENT FOR H, EAP/MLS. PLS PASS TO SENATOR WEBB

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [PHUM](#) [ECON](#) [ETRD](#) [MARR](#) [VM](#)

SUBJECT: SCENESETTER FOR SENATOR WEBB'S AUGUST VISIT TO VIETNAM

HANOI 00000740 001.2 OF 005

OVERVIEW

1. (SBU) Senator Webb: Your return to Hanoi and Ho Chi Minh City comes at an important moment in the U.S.-Vietnam relationship. Overall, bilateral ties have advanced significantly over the past two-three years, and are arguably at their highest point since relations were reestablished in 1995. The fundamentals are in place to build a more enduring, comprehensive partnership. The United States remains Vietnam's largest export market and third-largest overall trade partner, and this year jumped to first position among foreign investors. We have boosted cooperation in areas ranging from public health and higher education to mine clearance and technical assistance designed to help Vietnam meet its WTO and BTA obligations. Conservative voices in Vietnam's leadership remain wary of U.S. intentions, but their influence will almost certainly continue to wane as the country's young population -- the first generation in memory to live without war -- increasingly looks to the West. Strategically, Vietnam increasingly views the U.S. presence in the region as a force for stability, a perspective reinforced during the April fly-out to the USS Stennis and through the latest round of defense talks in June.

2. (SBU) At the same time as relations have strengthened, broadened, and matured -- passing from "normalizing" to "normal" -- the two sides also increasingly encounter frictions typical of a complicated relationship. Despite their enormous potential, U.S.-Vietnam relations continue to face serious constraints; we are still far from the type of relationship that we ultimately want. This is particularly true in the area of human rights, as the recent arrest of prominent journalists, bloggers, and a leading lawyer -- as well as the brief detention of a U.S. citizen associated with a dissident youth group -- demonstrate. Similarly, Vietnam's strategic obsession with China, understandable on its own terms, has combined with lingering historical suspicions to inhibit more robust military-military cooperation, though there has been significant progress this year. On the international front, Vietnam's "friends to all" non-interventionist line has led Hanoi to consistently align with Beijing and Moscow on issues such as Georgia, Darfur, and Burma. Even in areas where relations have been decidedly productive -- economics, trade, investment -- corruption and an inadequate educational system pose serious challenges.

3. (SBU) As we work to assist Vietnam's evolution into a more responsive, transparent, and better-governed state, it helps to remember that this is going to be a long and uneven process, conducted on Vietnam's timescale and terms as much as our own. Progress will continue; however, it will likely be incremental progress, built on regular interactions such as TIFA and Bilateral Investment Treaty talks, our human rights dialogue, and the political-military and policy planning discussions inaugurated late last year. In the end, we are optimistic. But we also recognize that managing the relationship requires persistent engagement and a

broad, historical perspective. This is why repeat visits by senior officials and members of Congress are vitally important. Your visit will be particularly well received.

Economic Success and Challenges

¶4. (SBU) Our economic ties remain a central part of the overall relationship. While Vietnam's comparatively limited integration into the world financial system has shielded it from some of the worst consequences of the current crisis, a slowing global economy has affected Vietnam's exports and foreign investment inflows. The country's 6.2% GDP growth in 2008 -- though not bad in a regional context -- was the lowest since 2000, and is expected to decline further in 2009, with most projections below 5%. Nevertheless, bilateral goods trade in 2008 was up 25% from the previous year, and stood at an all-time high of \$15.7 billion by the end of the year. U.S. exports, particularly of agricultural products, are a particular success story and grew 47% in 2008.

¶5. (SBU) We are seeking to keep up the momentum with BIT negotiations and are pushing Vietnam to further open key markets such as beef. We were encouraged by Vietnam's decision to join the Trans-Pacific Partnership as an associate member. The Vietnamese will be interested to hear how the concept is regarded in Washington, particularly in the context of other FTA negotiations. You will almost certainly hear familiar calls for Vietnam to be designated as a beneficiary under the U.S. Generalized System of Preferences; as Deputy USTR Demetrios Marantis remarked in his July visit, the United States would welcome Vietnam's receiving GSP status, provided it establishes required labor rights guarantees and intellectual property protection. You will also likely hear expressed Vietnam's concerns about U.S. limitations on catfish imports from Vietnam and anti-dumping and countervailing duty cases, although these are also signs of a thriving trade relationship.

HANOI 00000740 002.2 OF 005

Human Rights and Religious Freedom

¶6. (SBU) Economic growth has brought with it an enormous expansion of personal freedoms, and government is much less intrusive than it was twenty, ten, or even five years ago. While much remains to be done, religious freedoms continue to expand, with most religious groups reporting improved conditions and growing memberships. We view this progress as continuing. We have not, however, seen corresponding progress in political rights, and the government continues to severely restrict freedom of speech and assembly. Political dissident groups such as "Bloc 8406" and the Democratic Party of Vietnam are banned and their members subject to harassment and arrest, nineteen over the past year. The June arrest of prominent lawyer Le Cong Dinh and others provided a particularly poignant reminder that Vietnam's collective leadership, its commitment to market-oriented economic policies notwithstanding, remains determined to maintain political order and to preserve regime stability, goals it sees as synonymous. The lessons of 1989 and 1991 -- and more recently of the "color revolutions" in Ukraine, Georgia, and Kyrgyzstan -- continue to inform the perceptions of the generation that dominates the Politburo and Central Committee.

¶7. (SBU) Similarly, the October 2008 PMU-18 convictions, the subsequent firing of several senior newspaper editors, and the harassment/arrest of other journalists and bloggers have had a chilling effect on efforts to expose corruption. Vietnam's internet blog scene remains a source of spirited debate, as seen in the continuing controversy (sustained by the active involvement of General Vo Nguyen Giap) over a Chinese involvement in two bauxite mining projects in the Central Highlands. But here too the government is feeling for a way to curb what it considers to be overly sensitive discussions. In a May report, the Committee to Protect Journalists listed Vietnam as one of "the ten worst places to be a blogger," in large part due to the arrest of prominent blogger Dieu Cay in September 2008; the July 2009 arrest of blogger Nguyen Tien Trung only serves to reinforce this. A recent news report stated that only three percent of Vietnam's approximately

three million bloggers are willing to use blogs or other social networking sites hosted within Vietnam. It will be useful for your interlocutors to hear, from an acknowledged long-time friend of Vietnam, that our concerns over human rights are not tactical or simply rhetorical, but arise out of genuine desire for Vietnam to enjoy sustained stability and prosperity.

Leadership Dynamics

18. (SBU) Anticipated leadership changes at the Eleventh Party Congress, scheduled for January 2011, provide an additional reason for the CPV's leading contenders to play it safe. At this point, we assess that as many as six of the Politburo's fifteen members will retire, including General Secretary Nong Duc Manh, State President Nguyen Minh Triet, and National Assembly (NA) Chair Nguyen Phu Trong. Most of our well-connected contacts maintain that Prime Minister Nguyen Tan Dung, though weakened by his support of the bauxite projects as well as criticism over his handling of economic, health, and educational programs, remains in a good position to continue in his current position. Truong Tan Sang, Standing Secretary of the influential CPV Secretariat, is said to be the leading candidate to replace Manh as General Secretary. (We have requested meetings with both Dung and Sang.) The wild card in all of this is Vietnam's persistent regionalism: if conventional wisdom holds, the two leading positions in the Politburo will be held by Southerners. If Sang is not selected, a dark horse contender might be, surprisingly, the Politburo's newest member: the conservative Chair of the CPV Propaganda and Education Commission, To Huy Rua.

Working with Vietnam: UN, ASEAN, and Burma

19. (SBU) Vietnam has been professional and well-briefed at the UN Security Council, but cautious. Hanoi has been eager to join consensus whenever possible, voting for example to support sanctions on Iran and North Korea. But Vietnam has shied away from taking a leadership role, and where there has been disagreement has tended to follow a strict non-interventionist line. We can expect more of the same as Vietnam finishes its term. We expect Vietnam to do better as ASEAN Chair, a position it assumes in 2010. Vietnam puts great store in ASEAN and has suggested repeatedly that it would like to facilitate better contact between ASEAN and its "plus one" dialogue partners, the United States in particular. The decision to accede to ASEAN's Treaty of Amity and Cooperation was extremely well received in Vietnam, as was Secretary Clinton's visit to the ASEAN Secretariat in Jakarta and the strong support for deepened engagement that she articulated in Phuket. If the U.S.-ASEAN summit is revitalized, Vietnam, as ASEAN Chair, would lobby hard to host.

HANOI 00000740 003.2 OF 005

110. (SBU) Vietnam tends to look at a number of regional issues, including Burma, through an ASEAN lens. Thus, while Vietnam has steadfastly followed China in rejecting a UNSC role in Burma, Hanoi recognizes the obstacles that Rangoon's continued intransigence poses for ASEAN's credibility. In this regard, it is significant that Vietnam did not block a relatively strong ASEAN statement about the retrial of Aung San Suu Kyi. Vietnam has long urged the United States to take a more flexible approach to Burma and welcomed the announcement that we would be reviewing our policy. At the same time, our MFA contacts say they recognize that the prospect of renewed detention for ASSK would make it extremely difficult for the United States to be more accommodating, a message they insist they have communicated to the leadership in Rangoon.

The China Factor

111. (SBU) Mistrust of China runs deep, fed by historical animosities and simmering resentment over what is widely viewed as a weak position on South China Sea territorial disputes. Vietnam paid close attention to China's harassment of USNS Impeccable, and this may have contributed to the MND's decision to participate in the Stennis fly-out. Your hearings on South China Sea issues were watched closely in Hanoi, as in Beijing, and you will likely be

asked to comment on China's moves to enforce its annual "fishing ban," which this year have involved the interdiction of a number of Vietnamese fishing vessels and the detention of Vietnamese fishermen. The United States, as DAS Marciel indicated in his testimony, takes no position on the competing legal claims in the South China Sea (or East Sea, as it is called here). We do, however, have a strong interest in maintaining freedom of navigation and the ability of our naval ships to conduct routine operations. We have encouraged all parties to the dispute to work together to build confidence, in particular by enhancing the 2002 Declaration on the Code of Conduct in the South China Sea. In this regard, Vietnam and Malaysia's decision in May to submit a joint report on their extended continental shelf baseline claims is a positive development.

¶12. (SBU) Vietnam's leadership is sensitive to domestic criticism, articulated in blogs and the occasional protest, that they have been afraid to "stand up to China." (Many of those arrested on political grounds over the past year had publically condemned Vietnam's "weak" China policy.) Overall, though, and despite domestic pressures, Vietnam has maintained a very pragmatic approach to China, based on a realistic appraisal of the relationship's asymmetries. For example, at the same time as Vietnam rejects China's claims in the South China Sea, senior leaders, including PM Dung, have actively supported increased Chinese involvement in strategic development projects such as plans to exploit Vietnam's large bauxite reserves in the Central Highlands. Vietnam's leadership is under no illusion that it can somehow "balance" China with the United States, Russia, or Japan. Instead, Vietnam seeks to maintain as stable a relationship with China as possible, while also cautiously cultivating a diverse range of bilateral friendships and enmeshing these in a framework of multilateral engagement. In this context, Vietnam's bilateral relationship with the United States enjoys pride of place; however, our relationship is but one of several, and Vietnam is wary of pushing the agenda with the United States too far, too fast, lest it antagonize China.

The Military Relationship and JPAC

¶13. (SBU) Vietnam's apprehensions about China come into play most directly perhaps in our military-military relations. But here too there has been progress, despite our two countries' complicated history. Efforts to provide the fullest possible accounting of missing personnel predate the establishment of diplomatic relations, and the development of trust on the issue has made gains in other fields possible. We would like to see more progress in areas such as underwater recovery and archival access, but, overall, both sides can be proud of our achievements: accounting for 645 Americans previously listed as MIA (1332 remain missing in Vietnam). The use of a U.S. Navy ship, the USNS Heezen, to search for U.S. MIAs in Vietnamese coastal waters demonstrates Vietnam's willingness to increase cooperation on the issue.

¶14. (SBU) Largely on these foundations, the two sides' militaries are slowly developing ties and have discussed cooperation in areas such as search and rescue, humanitarian assistance and disaster relief cooperation, military medicine, and meteorological information exchanges. These and other initiatives -- such as expanding English-language training under IMET, ship visits, and encouraging Vietnam to participate in global peacekeeping operations -- were on the agenda for political-defense talks, the first of their kind, which were held in October 2008. A second round took

HANOI 00000740 004.2 OF 005

place in June of this year and resulted in enhanced cooperation in search and rescue, with our Defense Attache attending a Vietnamese exercise in early July.

Health Diplomacy/Agent Orange/Unexploded Ordinance

¶15. (SBU) Currently about 80 percent of all U.S. development aid is in the areas of health and disability. HIV/AIDS assistance under the President's Emergency Plan for AIDS Relief (PEPFAR) has totaled \$322 million since 2004, including \$88.6 million in FY09. The

United States has also made substantial investment to prevent and control avian influenza, with total funding since 2004 of about \$45 million projected through FY 2009. In April 2010, USAID will assist the GVN to host the seventh International Ministerial Conference on Avian and Pandemic Influenza. There have now been approximately 1,000 confirmed cases of H1N1 influenza in Vietnam, with one reported fatality. The actual number is probably higher, as many people do not seek medical treatment unless they are seriously ill. As with H5N1, the Centers for Disease Control and Prevention and USAID have cooperated actively with their Vietnamese counterparts to track the disease and to provide guidance on containment and treatment.

¶16. (SBU) Agent Orange (along with its contaminant, dioxin) remains a visceral and heavily propagandized issue, as evidenced in the local press coverage of the U.S. Supreme Court's decision not to revisit the dismissal of a lawsuit brought by alleged Vietnamese victims against U.S. chemical companies. The first annual "Agent Orange Day," scheduled for August 10, no doubt will receive wide, and slanted, media coverage. Nevertheless, over the longer term, we are gradually seeing more balanced reporting, for example, on the annual U.S.-Vietnam Agent Orange/Dioxin Joint Advisory Committee (JAC), as well as cooperative efforts to clean up contamination at the Danang airport. Efforts to deal with the consequences of unexploded ordinance and landmines continue to be warmly received.

U.S. Assistance: Trade, Education, and the Environment

¶17. (SBU) U.S. assistance levels in other areas remain disproportionately low, particularly when compared with aid provided to neighboring developing nations. Even so, programs such as USAID's STAR and the Vietnam Competitiveness Initiative have become the government's preferred source of expertise in reshaping trade and economic regulation, with secondary positive effects on governance. Treasury is also starting to engage on economic issues, with programs in areas such as small- and medium-sized enterprise financing, taxation, and bond market development. Efforts to improve Vietnam's higher education -- expanding opportunities to study in the United States and enhancing partnerships with U.S. universities -- were a main focus of PM Dung's 2008 visit to Washington. The Educational Task Force formed as a product of the visit met in January in HCMC to discuss ways forward in several key areas, including establishing an American university in Vietnam. In the meantime, time-tested programs such as the Fulbright Program and the Vietnam Education Foundation, with combined annual funding of almost \$10 million, continue to bring scores of Vietnamese students to the U.S. every year, exposing them to American society and creating goodwill. The number of Vietnamese students studying in U.S. colleges and universities now ranks eighth in the world.

¶18. (SBU) During PM Dung's visit, the United States and Vietnam also agreed to accelerate cooperation on climate change adaptation and mitigation, and announced the creation of the Delta Research and Global Observation Network (DRAGON) Institute at Can Tho University.

Supported by the U.S. Geological Survey, the DRAGON Institute supplements U.S.-funded initiatives already underway to assist Vietnam's climate change response. Expanded cooperation from the U.S. Department of Energy and U.S. Nuclear Regulatory Commission to support the creation of the necessary safety and security infrastructure for Vietnam's planned civilian nuclear power sector may also help mitigate Vietnam's future greenhouse gas emissions.

WHAT YOU CAN EXPECT

¶19. (SBU) Complaints that we have heard from some Vietnamese officials that "this year is nothing special" miss the mark. Nevertheless, the series of senior-level visits that propelled the relationship -- from Hanoi's APEC summit in 2006 to the visit of PM Dung to Washington in June 2008 -- is unlikely to be repeated, at least in the near term. The foundations are in place for a deeper partnership; building on this foundation, however, will require sustained, patient engagement. Vietnam's leaders are fundamentally pragmatic. They value Vietnam's relationship with the United States, both for its intrinsic importance and because Vietnam's security and economic growth have become inextricably enmeshed in an

international system of which the United States remains the primary guarantor. At the same time, their worldview is informed by history and by ingrained suspicions of U.S.-led efforts to bring about political change, what they term "peaceful evolution." All in all, the tenor of the relationship remains decidedly positive, if still cautious. Your upcoming trip to Hanoi and Ho Chi Minh City, will add momentum to our efforts to help translate good feelings into sustainable accomplishments.

120. (U) We look forward to your visit and stand ready to do everything we can to make your discussions as productive as possible.

MICHALAK